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**PUBLIC SERVICE  
COMMISSION**

Ms. Stephanie L. Stumbo  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40601

**Kentucky Utilities Company**  
State Regulation and Rates  
220 West Main Street  
PO Box 32010  
Louisville, Kentucky 40232  
www.eon-us.com

September 11, 2008

Lonnie E. Bellar  
Vice President  
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lonnie.bellar@eon-us.com

**RE: *Application of Kentucky Utilities Company for an Adjustment of Base Rates – Case No. 2008-00251***

***Application of Kentucky Utilities Company to File Depreciation Study – Case No. 2007-00565***

Dear Ms. Stumbo:

Please find enclosed and accept for filing the original and ten (10) copies of the Response of Kentucky Utilities Company to the Community Action Kentucky, Inc. (CAK) and the Community Action Council for Lexington-Fayette, Bourbon, Harrison, and Nicholas Counties, Inc. (CAC) Initial Requests for Information dated August 25, 2008, in the above-referenced matters.

Should you have any questions regarding the enclosed, please contact me at your convenience.

Sincerely,

Lonnie E. Bellar

cc: Parties of Record

Ms. Stephanie L. Stumbo  
September 11, 2008

Counsel of Record

Allyson K. Sturgeon, Senior Corporate Attorney – E.ON U.S. LLC  
Robert M. Watt – Stoll Keenon Ogden PLLC (Kentucky Utilities)  
Kendrick R. Riggs – Stoll Keenon Ogden PLLC (Kentucky Utilities)  
W. Duncan Crosby – Stoll Keenon Ogden PLLC (Kentucky Utilities)  
Dennis Howard II – Office of the Attorney General (AG)  
Lawrence W. Cook – Office of the Attorney General (AG)  
Paul D. Adams – Office of the Attorney General (AG)  
Michael L. Kurtz – Boehm, Kurtz & Lowry (KIUC)  
David C. Brown – Stites and Harbison (Kroger)  
Willis L. Wilson – LFUCG Department of Law (LFUCG)  
Joe F. Childers (CAK and CAC)

Consultants to the Parties

Steve Seelye – The Prime Group (E.ON U.S. LLC)  
William A. Avera – FINCAP, Inc (E.ON U.S. LLC)  
John Spanos – Gannett Fleming, Inc. (E.ON U.S. LLC)  
Robert Henkes (AG)  
Michael Majoros – Snavelly King Majoros O'Connor & Lee (AG)  
Glenn Watkins – Technical Associates (AG)  
Dr. J. Randall Woolridge – Smeal College of Business (AG)  
Lane Kollen – Kennedy and Associates (KIUC)  
Kevin C. Higgins – Energy Strategies, LLC (Kroger)

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>APPLICATION OF KENTUCKY</b>	)	<b>CASE NO.</b>
<b>UTILITIES COMPANY FOR AN</b>	)	<b>2008-00251</b>
<b>ADJUSTMENT OF BASE RATES</b>	)	

<b>APPLICATION OF KENTUCKY</b>	)	<b>CASE NO.</b>
<b>UTILITIES COMPANY TO FILE</b>	)	<b>2007-00565</b>
<b>DEPRECIATION STUDY</b>	)	

**RESPONSE OF**  
**KENTUCKY UTILITIES COMPANY**  
**TO THE**  
**INITIAL REQUESTS FOR INFORMATION**  
**ON BEHALF OF**  
**COMMUNITY ACTION KENTUCKY, INC. (CAK)**  
**AND**  
**COMMUNITY ACTION COUNCIL FOR**  
**LEXINGTON-FAYETTE, BOURBON, HARRISON &**  
**NICHOLAS COUNTIES, INC. (CAC)**  
**DATED AUGUST 25, 2008**

**FILED: September 11, 2008**



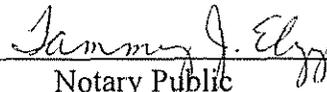
VERIFICATION

STATE OF KENTUCKY )  
 ) SS:  
COUNTY OF JEFFERSON )

The undersigned, **Robert M. Conroy**, being duly sworn, deposes and says that he is the Director, Rates for Kentucky Utilities Company, that he has personal knowledge of the matters set forth in the responses for which he is identified as the witness, and the answers contained therein are true and correct to the best of his information, knowledge and belief.

  
\_\_\_\_\_  
**ROBERT M. CONROY**

Subscribed and sworn to before me, a Notary Public in and before said County and State, this 9<sup>th</sup> day of September, 2008.

  
\_\_\_\_\_  
Notary Public (SEAL)

My Commission Expires:

November 9, 2010



**KENTUCKY UTILITIES COMPANY**

**CASE NO. 2008-00251**

**CASE NO. 2007-00565**

**Response to Initial Requests for Information On Behalf of CAK and CAC  
Dated August 25, 2008**

**Question No. 1**

**Responding Witness: Butch Cockerill**

Q-1. How many KU residential accounts were shut off for non-payment in each year 2003, 2004, 2005, 2006 and 2007?

A-1. As reported to the Kentucky Public Service Commission, per 807 KAR:5006, Section 3(3), the following numbers of residential accounts were shut off for non-payment:

2003	66,789
2004	70,188
2005	69,070
2006	70,338
2007	64,983



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**Question No. 2**

**Responding Witness: Butch Cockerill**

- Q-2. How many KU residential accounts were shut off for non-payment during the period 1/1/2008 through 7/31/2008?
- A-2. The number of KU residential accounts shut off for non-payment during the period January 1, 2008 through July 31, 2008 is 40,037.



**KENTUCKY UTILITIES COMPANY**

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**Question No. 3**

**Responding Witness: Butch Cockerill**

- Q-3. What is the total amount of funding KU has contributed in each year 2003, 2004, 2005, 2006 and 2007 to programs that directly assist its customers who have difficulty paying their bills?
- A-3. The total amounts of WinterCare funding KU contributed in the years 2003-2007 to programs that directly assist its customers who have difficulty paying their bills are:

**WinterCare 2003-2007  
(Company Contributions Only)**

<u>Year</u>	<u>Company Contributions</u>	
2003	\$	28,823.00
2004	\$	58,469.00
2005	\$	56,963.00
2006	\$	55,922.00
2007	\$	45,019.00



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**Response to Initial Requests for Information On Behalf of CAK and CAC**

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**Question No. 4**

**Responding Witness: Butch Cockerill**

Q-4. How much have KU ratepayers, through voluntary donations given through billing statements, contributed to the Wintercare Energy Fund in each year 2003, 2004, 2005, 2006, and 2007? Also, how many ratepayers gave in each of those years?

A-4. The following table indicates the number of KU voluntary contributors and the total amounts contributed for years 2003-2007 for the WinterCare Energy Fund.

**WinterCare Customer Contributions 2003-2007**

<u>Year</u>	<u>Ratepayer Contributors</u>	<u>Ratepayer Contributions</u>
2003	19,609	\$ 73,821.00
2004	18,346	\$ 71,684.00
2005	17,218	\$ 69,342.00
2006	17,989	\$ 80,758.00
2007	15,578	\$ 62,766.00



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**Question No. 5**

**Responding Witness: Butch Cockerill**

- Q-5. How many low-income households, defined as having incomes at or below 100 percent of the federal poverty line defined by the U.S. Department of Health and Human Services, reside in the areas served by KU?
- A-5. Company does not maintain this data on customers' income levels.



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**Question No. 6**

**Responding Witness: Butch Cockerill**

Q-6. How many KU residential accounts are held by individuals age 65 and older?

A-6. Company does not maintain data on customers' ages.



**KENTUCKY UTILITIES COMPANY**

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**Response to Initial Requests for Information On Behalf of CAK and CAC  
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**Question No. 7**

**Responding Witness: Butch Cockerill**

- Q-7. What are the mean and median total monthly costs for residential customers in the KU service territory?
- A-7. The mean and median total monthly costs for residential customers in the KU service territory during the test year (May 1, 2007 through April 30, 2008) are \$74.38 and \$61.82, respectively. These averages exclude negative billings and billings for service charges only.



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**Response to Initial Requests for Information On Behalf of CAK and CAC  
Dated August 25, 2008**

**Question No. 8**

**Responding Witness: Butch Cockerill**

- Q-8. The current mean and median total monthly residential costs, i.e., the amounts reported in response to the preceding question, are what percentage of the monthly income for households of one, two, and three persons, respectively, with incomes at 100% of the Federal Poverty Level?
- A-8. The current mean and median total monthly residential costs as a percentage of the monthly income for households of one, two, and three persons, respectively, with incomes at 100% of the Federal Poverty Level\* are as follows:

	<u>Mean</u>	<u>Median</u>
1 in Household	8.58%	7.13%
2 in Household	6.38%	5.30%
3 in Household	5.07%	4.22%

\* 2008 Poverty Guidelines for 48 contiguous states and DC found in the Federal Register vol. 73, No 15 page 3971.



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**Response to Initial Requests for Information On Behalf of CAK and CAC**

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**Question No. 9**

**Responding Witness: Robert M. Conroy**

Q-9. Based on the requested residential rate increase, what will be the real dollar annual increase for the mean and median residential customer?

A-9. The real dollar annual increase for both the mean and median electric residential customers is \$41.88. KU is proposing to change the electric customer charge and make no change to the current energy charge. The customer charge is applied to the bills of all customers in the residential class resulting in a flat increase across the customer class.



**KENTUCKY UTILITIES COMPANY**

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**Response to Initial Requests for Information On Behalf of CAK and CAC  
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**Question No. 10**

**Responding Witness: Butch Cockerill**

Q-10. The proposed mean and median total monthly residential costs, i.e., the amounts reported in response to the preceding question, are what percentage of the monthly income for households of one, two, and three persons, respectively, whose incomes are at 100% of the Federal Poverty Level?

A-10. The proposed mean and median total monthly residential costs as a percentage of the monthly income for households of one, two, and three persons, respectively, with incomes at 100% of the Federal Poverty Level\* are as follows:

	<u>Mean</u>	<u>Median</u>
1 in Household	9.18%	7.70%
2 in Household	6.82%	5.72%
3 in Household	5.43%	4.55%

\* 2008 Poverty Guidelines for 48 contiguous states and DC found in the Federal Register vol. 73, No 15 page 3971.



**KENTUCKY UTILITIES COMPANY**

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**Question No. 11**

**Responding Witness: Robert M. Conroy**

- Q-11. Assuming approval of the requested residential rate increase, what will be the estimated mean and median total monthly costs for residential customers?
- A-11. Assuming approval of the requested increase, the estimated mean and median total monthly costs for electric residential customers would be \$77.87 and \$65.31, respectively.



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**Question No. 12**

**Responding Witness: Butch Cockerill**

- Q-12. How many residential customers use 1,000 KWh or less each month and what percentage of that is the KU residential customer base? What are the mean, median and mode averages for residential monthly usage amounts in KWh?
- A-12. The number of residential customers using 1,000 kWh or less each month is 164,555, which represents 39% of KU's residential customer base. The mean, median, and mode averages for residential monthly usage amounts in kWh are 1,326, 1,109, and 700, respectively. Due to the number of customer bills containing zero usage or abnormally low usage related to vacant apartments, seasonal living quarters, etc., usage amounts less than 200 kWh were omitted from the calculation of the mode. Calculation of the mean and median excludes negative billings and billings for service charges only.



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**Question No. 13**

**Responding Witness: Butch Cockerill**

Q-13. What were the total arrearages owed by residential customers for the first four months of each year 2007 and 2008?

A-13. Residential customer arrears at time of next billing were as follows:

<b>Month</b>	<b>2007</b>	<b>2008</b>
January	\$5,420,741	\$6,163,895
February	\$5,922,512	\$8,652,420
March	\$6,535,163	\$7,690,341
April	\$5,775,756	\$6,549,636



**KENTUCKY UTILITIES COMPANY**

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**Dated August 25, 2008**

**Question No. 14**

**Responding Witness: Butch Cockerill**

Q-14. Given that the proposed increase in rates will make the cost of energy less affordable for many residential customers, does KU have a plan to prevent increases in its shutoff rates and the amount of arrearages owed by its residential customers?

A-14. KU recognizes the hardship many of its low-income customers face. KU helps those customers by offering many different payment options and assistance programs, such as the following:

- 1) KU and its customers are major contributors to the WinterCare Energy Fund. KU matches customer contributions year-round, in amounts ranging from \$0.25 (during non-winter months) up to \$2 (during some winter months), for each \$1 donated by customers.
- 2) KU also works very closely with the Lexington Community Action Council (CAC) and the Kentucky Association of Community Action Councils (KACA). KU provides a direct phone number to the KU Call Center and provides a KU Customer Care Rep to work in the CAC office for the LIHEAP Subsidy season.
- 3) KU Customer Care Reps receive referral training and information to help customers in need to find assistance.
- 4) KU offers several different payment options, such as budget billing, Automatic Bank Club, and mutually agreeable payment arrangements.
- 5) The KU WeCare Program provides weatherization services to its low-income customers. Services include energy education, air and duct sealing and insulation, attic and wall insulation, heating and a/c tune-ups, programmable thermostats, and energy-efficient refrigerators.
- 6) KU also offers a residential energy audit to its customers for \$15, for which customers receive energy conservation products worth over \$35.

- 7) KU collects a 10 cent per electric meter charge, equaling approximately \$480,000 annually. Funds are administered by KACA.
- 8) Community Action Council and KU have a continuing partnership in participating in the annual Winter Blitz. KU employees volunteer their time in this effort to weatherize homes in the community.
- 9) In addition, KU regularly provides conservation tips in its customer newsletter "Power Source."



**KENTUCKY UTILITIES COMPANY**

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**Response to Initial Requests for Information On Behalf of CAK and CAC  
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**Question No. 15**

**Responding Witness: Butch Cockerill**

Q-15. How many residential customers did KU have in each of the years 2003, 2004, 2005, 2006, and 2007?

A-15. The average number of KU residential customers for the years ended 2003-2007 are as follows:

	Electric
<u>Year</u>	<u>Customers</u>
2007	413,747
2006	409,612
2005	403,943
2004	398,093
2003	393,112



**KENTUCKY UTILITIES COMPANY**

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**Question No. 16**

**Responding Witness: Butch Cockerill**

Q-16. How many residential customers experienced a disconnection of KU service due to nonpayment in each of the years 2003, 2004, 2005, 2006, 2007?

A-16. See response to Q-1.